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[Your Organization's Name]

[Reserves Policy]

At [Your Organization's Name], we recognize the importance of maintaining reserves to ensure the financial stability and sustainability of our organization. This policy outlines the guidelines for establishing and managing reserves, including the target reserve amount and the permissible uses of reserve funds. By adhering to this policy, we aim to mitigate financial risks, support long-term planning, and maintain our ability to fulfill our mission.

**Purpose:**

1.1. The purpose of this Reserves Policy is to provide guidance on the establishment, management, and use of reserves in a manner that supports the financial health and stability of the organization.

1.2. Reserves provide a cushion against unexpected financial challenges, enable strategic investments, and ensure the continuity of our programs and services.

**Reserve Target:**

2.1. The organization will establish a target reserve level to maintain financial stability and sustainability.

2.2. The reserve target will be determined based on factors such as the organization's size, nature of activities, financial obligations, and the assessment of potential risks and contingencies.

2.3. The reserve target should be reviewed periodically to ensure it remains appropriate and aligned with the organization's evolving needs and financial objectives.

**Reserve Components:**

3.1. Reserves may consist of different components based on their purpose and level of restriction, such as:

a. General Reserves: Unrestricted funds set aside to provide a financial buffer and support ongoing operations.

b. Specific Purpose Reserves: Restricted funds designated for specific future needs or strategic initiatives, such as capital projects, program expansion, or emergency contingencies.

c. Board Designated Reserves: Funds specifically designated by the board of directors for a particular purpose or to address specific financial challenges.

**Reserve Funding:**

4.1. Reserves will be funded through a combination of strategies, which may include:

a. Allocating a portion of surplus funds from operations to reserves on an annual or periodic basis.

b. Setting aside a percentage of unrestricted contributions or fundraising proceeds to replenish or build reserves.

c. Securing grants or donations specifically designated for reserve purposes, when available and appropriate.

d. Earmarking a portion of investment income or other revenue sources for reserve contributions.

**Use of Reserve Funds:**

5.1. Reserve funds should be used prudently and in accordance with the organization's strategic priorities and financial management principles.

5.2. Permissible uses of reserve funds may include, but are not limited to:

a. Addressing unforeseen financial emergencies or temporary cash flow challenges.

b. Supporting strategic initiatives or one-time investments that align with the organization's mission and goals.

c. Meeting unexpected or unbudgeted expenses that could significantly impact operations or program delivery.

d. Fulfilling obligations during times of decreased revenue or increased costs.

5.3. Any withdrawal or transfer from reserves should be authorized by the executive director and/or the board of directors, as per the organization's financial management and decision-making protocols.

**Reserve Monitoring and Reporting:**

6.1. The organization will establish mechanisms to regularly monitor and evaluate the status and adequacy of reserves.

6.2. Financial reports and statements will include disclosure on the status of reserves, changes in reserves over time, and any significant decisions or actions related to the use of reserve funds.

6.3. The board of directors and relevant stakeholders will receive periodic updates and reports on the organization's reserves, ensuring transparency and accountability.

**Policy Review and Updates:**

7.1. This Reserves Policy will be reviewed periodically to ensure it remains aligned with the organization's financial needs, best practices, and changing circumstances.

7.2. Any updates or changes to the policy will be communicated to relevant staff members, the finance committee, and the board of directors, and training will be provided as necessary.

By following this Reserves Policy, we establish guidelines for the establishment, management, and use of reserves, ensuring the financial stability and sustainability of our organization. Adequate reserves provide us with the flexibility and capacity to address unexpected challenges, invest strategically, and fulfill our mission effectively. If you have any questions or require further guidance regarding reserves, please contact the designated authority within the organization.

*The templates provided are for general guidance only and not legal advice. Their use is at your own risk, and we are not liable for any damages arising from their use. Consult legal or professional advisors for tailored policies.*